

**REBUTTAL TESTIMONY**  
**OF**  
**JANIS FREETLY**  
**SENIOR FINANCIAL ANALYST**  
**FINANCE DEPARTMENT**  
**FINANCIAL ANALYSIS DIVISION**  
**ILLINOIS COMMERCE COMMISSION**

**COMMONWEALTH EDISON COMPANY**

**Petition for Approval of Delivery Services Tariffs and Tariff Revisions  
and Residential Delivery Services Implementation Plan, and for  
Approval of Certain Other Amendments and Additions  
to its Rates, Terms, and Conditions**

**Docket No. 01-0423**

**October 16, 2001**

**OFFICIAL FILE**

I.C.C. DOCKET NO. 01-0423  
Staff Exhibit No. 19.0  
Witness \_\_\_\_\_  
Date 10/14/01 Reporter SK

## Table of Contents

Witness Identification.....	1
Response to Mr. Ebright.....	2
Response to Mr. Thone .....	10
Response to Dr. Peltzman .....	19

**Witness Identification**

1

2 **Q. Please state your name and business address.**

3 A. My name is Janis Freetly. My business address is 527 East Capitol Avenue,  
4 Springfield, Illinois 62701.

5 **Q. Are you the same Janis Freetly who previously testified in this proceeding?**

6 A. Yes, I am.

7 **Q. Please state the purpose of your rebuttal testimony.**

8 A. The purpose of my rebuttal testimony is to respond to the rebuttal testimony of  
9 several ComEd witnesses, including John Ebright, Daniel Thone, and Sam  
10 Peltzman. I will address several issues involving the capital structure and the  
11 appropriate overall cost of capital for Commonwealth Edison ("ComEd") in this  
12 proceeding.

13 **Q. Please summarize your overall cost of capital recommendation.**

14 A. My overall cost of capital recommendation is the same as that put forth in my  
15 Supplemental Direct Testimony, 8.75%, and is shown in Schedule 19.1.

16

**Response to Mr. Ebright**

17 Q.

**Should ComEd's capital structure reflect the scheduled retirements of**

18

**Transitional Funding Instruments ("TFIs")?**

19 A.

No. The Commission should reject ComEd's proposed pro forma adjustments to reflect the scheduled retirements of TFIs. Although the retirement dates are known, the manner in which such retirements are to be refinanced is not. Mr. Ebright suggests that the Commission disassociate debt maturity from debt refinancing from its determination of known and measurable changes to capital structure. If the Commission accepts his proposal, a downward bias of Illinois utility common equity ratios for ratemaking purposes would result. Since debt is issued with specific maturity dates, one will always know when a debt issue is scheduled to be retired before one knows how it will be replaced.

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Further, on October 10, 2001, ComEd filed an Informational Statement pursuant to 6-102(d) of the Public Utilities Act for authority to refinance up to \$2 billion of stock, bonds, notes, or other evidences of indebtedness over the period of October 26, 2001 through October 26, 2004. The filing did not specify which securities would be re-financed. This was not a known and measurable change to Staff just one-month prior when ComEd filed its rebuttal case. This filing indicates that the embedded cost of debt and the outstanding balance of long-term debt could dramatically change from those sponsored by all parties in this proceeding in a relatively short

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time period. I identified approximately \$2 billion of debt issues, including TFIs, that will mature during the 2001 through 2004 period. I do not propose any adjustments to the balance or embedded cost of long-term debt in response to this filing, but it suggests the danger of disassociating debt retirements from refinancing.

**Q. Did ComEd's supplemental response to JF-1.20 satisfy your concern regarding ComEd's inconsistent pro forma adjustments with respect to time?**

**A.** No. ComEd's supplemental response to JF-1.20 was insufficient to alleviate my concern. The forecasted financial statements provided for 2001 were incomplete. Furthermore, ComEd did not provide the underlying assumptions supporting the financial forecast. Thus, I could not test their validity. ComEd also stated that the forecasted financial statements for 2002 were still unavailable. Without the forecasted financial statements, ComEd's claim that it will generate enough funds internally to cover the retirements of these TFIs cannot be verified.

**Q. Should the \$1.062 billion account receivable from Exelon be included in ComEd's balance of common equity?**

**A.** No. ComEd claims that the \$1.062 billion receivable from Exelon will be used to pay off future tax liabilities on the intangible transition charges that ComEd will collect from 2001 through 2008. ComEd will record the associated tax liability as

55 revenues from the intangible transition charges are recorded. Since Exelon files  
56 consolidated income tax returns, ComEd would pay its portion of Exelon's  
57 consolidated income tax liability to Exelon, which in turn would pay the taxing  
58 authority.<sup>1</sup> ComEd will "collect" on the receivable each year as the income taxes  
59 come due.<sup>2</sup> Hence, as revenues are collected, the income tax liability is recorded  
60 and as the associated taxes become due, ComEd collects on the receivable from  
61 Exelon, which in turn pays Exelon for the taxes, which pays the taxes to the taxing  
62 authorities. Thus, ComEd will not have one additional dollar of common equity  
63 capital that it can invest. ComEd has managed to show an additional \$1 billion in  
64 common equity only because it did not match the receivable with the liability it is  
65 designed to offset. Essentially, ComEd created \$1 billion of equity that does not  
66 exist. ComEd should not be able to increase rates for what amounts to a  
67 bookkeeping gimmick.

68 **Q. Is your position consistent with the Securities and Exchange Commission's**  
69 **(SEC) treatment of the receivable?**

70 **A.** Yes. ComEd did not include the \$1 billion receivable from Exelon in the balance of  
71 common equity when reporting to the SEC.<sup>3</sup> The receivable evidences a promise  
72 by Exelon to contribute capital. The SEC rules dictate that until capital is actually

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<sup>1</sup> ComEd Response to Staff Data Request JF-7.02.

<sup>2</sup> ComEd Response to Staff Data Request JF-7.01.

<sup>3</sup> ComEd Form 10Q, Quarterly Report to the SEC for the Quarter Ended March 31, 2001.

73 transferred, the balance of common equity should not reflect the additional funds.<sup>4</sup>  
74 Exelon's promise of future equity extends through 2008. Therefore, it would be  
75 imprudent to include the entire amount in the balance of common equity as of March  
76 31, 2001. Moreover, there is no guarantee that ComEd will ever realize additional  
77 common equity from this receivable since ComEd could declare higher dividends to  
78 Exelon from the reduction in taxes it pays to Exelon net of the collections on the  
79 receivable.

80 **Q. If the \$1 billion is included in ComEd's capital structure for the purposes of**  
81 **this proceeding, what would be the impact on your cost of equity**  
82 **recommendation?**

83 **A.** Adding the additional \$1.062 billion common equity to my recommended capital  
84 structure would increase the common equity ratio to 44%. If the Commission  
85 accepts ComEd's position and includes the \$1.062 billion in the balance of  
86 common equity, I recommend that the cost of common equity be lowered based  
87 upon the new common equity ratio. The results of the analyses that I performed  
88 indicate that the appropriate cost of capital for the delivery service operations of  
89 ComEd is 8.75%. In order to keep that number constant, adjusting the common  
90 equity ratio to 44%, implies a cost of equity of 11.20%. Since the embedded cost  
91 of debt does not change with capital structure, only the cost of equity estimate

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<sup>4</sup> SEC Staff Accounting Bulletin 4(g).

needs to be adjusted if the Commission agrees with ComEd that the \$1 billion should be included in the capital structure. Nevertheless, I strongly urge the Commission to exclude the \$1 billion from the common equity balance that will be used for setting rates.

**Q. Mr. Ebright claims that the Uniform System of Accounts (USOA) required ComEd to report obligations from associated companies in Account 145 (Notes Receivable from Associated Companies) or Account 146 (Accounts Receivable from Associated Companies) as a separate balance sheet item under current and accrued assets. Do you agree?**

**A.** No. According to the USOA, Accounts 145 and 146 shall only include receivables from associated companies that are expected to be paid in full not later than one year from the date of issue. This receivable is expected to be paid over the years 2001 through 2008. Therefore, ComEd recorded this receivable from Exelon incorrectly. Further, the USOA does not dictate ratemaking treatment.<sup>5</sup> Since the receivable does not lead to an increase in the amount of equity capital available to ComEd, ComEd's corresponding adjustment to common equity should not be included in the balance of common equity that will be used to determine the overall cost of capital for the purposes of this proceeding.

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<sup>5</sup> Uniform System of Accounts for Electric Utilities Operating in Illinois, Effective February 1, 1999, General Instruction 1C.

110   **Q.    Do you agree that the carrying value of long-term debt should be adjusted**  
111       **to reflect the current market rates at the time of the merger of Unicom and**  
112       **PECO?**

113   **A.    No. When determining the overall rate of return for ratemaking purposes, the**  
114       embedded cost of debt should be used. The proposed adjustment to the carrying  
115       value of long-term debt has the effect of adjusting the cost of debt to current market  
116       rates at the time of the merger of Unicom and PECO. Adjusting to fair value would  
117       result in an inaccurate representation of the balance and cost of long-term debt that  
118       ComEd actually incurred. Restating Accounts 225 (Unamortized Premium on Long-  
119       Term Debt) and 226 (Unamortized Discount on Long-Term Debt) to fair value and  
120       attempting to pass those changes through to ratepayers results in passing costs  
121       associated with the merger to ratepayers.

122       Moreover, to facilitate the tracking of those costs for the purpose of setting rates, the  
123       Commission should order ComEd to maintain records on the annual amortization  
124       and unamortized balances of debt discount and premium associated with the fair  
125       value and original cost in separate subaccounts. ComEd should also be required to  
126       report the amounts recorded in those separate subaccounts in its Annual Report to  
127       the Commission. Specifically the "Unamortized Debt Expense, Premium, and  
128       Discount on Long-Term Debt" schedule of the Form 21 Annual Report to the  
129       Commission should reflect the original discount, premium, and expense. The

instructions state that column c should show the expense, premium, or discount with respect to the amount of bonds or other long-term debt originally issued. The information reflected in columns c through i should be for the original discount, premium, and expense rather than the amount based on fair value. If ComEd cannot continue to record and track the original discount and premium amounts, the Company should not be allowed to recover any discount or premium on the associated debt issues. ComEd should not be able to recover expenses from ratepayers that it cannot substantiate.

ComEd claims that the revaluation of long-term debt to fair value to reflect the purchase method of accounting adjustments results in the "new original cost" of debt. The absurdity of this oxymoronic phrase requires little comment. Nevertheless, to ensure there is no confusion, I submit that a debt security cannot have more than one original cost in its lifetime. The Commission should reject this ridiculous notion, and my recommended balance and embedded cost of long-term debt, presented in Schedule 19.2, should be adopted.

**Q. Is the Commission Staff investigating ComEd's booking of the receivable and the restatement of the unamortized discount and premium on long-term debt?**

**A.** Yes. Mary Selvaggio, Manager of the Commission's Accounting Department sent a letter to ComEd on September 26, 2001, to inform Mr. Ebright that ComEd is not

150 in compliance with the USOA with regard to the \$1 billion intercompany receivable  
151 and the restatement of the unamortized discount and premium on long-term debt.  
152 Mr. Ebright replied to Ms. Selvaggio's letter on October 9, 2001. The Accounting  
153 Staff is further investigating ComEd's booking of the receivable and the restatement  
154 of the discount and premium to fair value.

155 **Q. Do you agree with Mr. Ebright's claim that the face amount outstanding for**  
156 **the First Mortgage Bonds Series 75 should be \$250 million instead of \$260**  
157 **million as shown on page 1 of Schedule 5.2 attached to your direct**  
158 **testimony?**

159 **A.** Yes. I made an error in my debt schedule. I have revised Schedule 5.2 to reflect the  
160 \$250 million face amount outstanding and the corresponding annualized interest  
161 expense. The revised schedule is attached to this testimony as Schedule 19.2.

162 **Q. Do you accept the interest rates presented by Mr. Ebright on page 8 of his**  
163 **rebuttal testimony as the appropriate rates to use for the variable rate long-**  
164 **term debt?**

165 **A.** Yes. I accept the interest rates as ComEd's actual rates as of August 31, 2001 for  
166 the variable rate issues. Hence, I adjusted the annualized interest expense of the  
167 1994B and 1994C Pollution Control Obligations and the variable rate Medium-Term  
168 Notes to reflect the updated interest rates.

169 **Q. What effect do these changes to your long-term debt schedule have on your**  
170 **recommended balance and embedded cost of long-term debt?**

171 A. The balance of long-term debt is decreased by \$10 million. My embedded cost of  
172 long-term debt remains 6.82%.

173 **Response to Mr. Thone**

174 **Q. Do you have any comments regarding Mr. Thone's electric and gas**  
175 **samples?**

176 A. Mr. Thone included companies with at least 50% of total revenues from regulated  
177 operations. He claims that he focused on companies whose primary business is  
178 distribution. However, percentage of revenue from regulated operations does not  
179 necessarily limit the sample to utilities primarily engaged in distribution. Not all  
180 states have deregulated generation, therefore, companies with generation assets  
181 may be included when that criteria is used. I am not suggesting that including  
182 companies with generation, regulated or otherwise, is necessarily wrong. Rather, I  
183 am asserting that Mr. Thone's claim that he focused on companies primarily  
184 engaged in distribution is questionable.

185 The criteria that I relied on to select the electric and gas utilities that comprise my  
186 samples were more stringent than those employed by Mr. Thone. When selecting

187 my samples, I included those companies with 75% or more revenue derived from  
188 electric operations for the electric sample, or 75% or more revenue derived from  
189 gas operations for the gas sample, based on 2000 data from *Standard & Poor's*  
190 (*"S&P" Utility Compustat*). When applying those criteria to Mr. Thone's samples,  
191 Cinergy, Consolidated Edison, and Energy East fail to make the cut in the electric  
192 sample, and New Jersey Resources and Keyspan Corp. do not pass in the gas  
193 sample. Cinergy derives only 63.9% of revenue from electric operations, while  
194 Consolidated Edison derives 74.1%, and Energy East only 68.4%.<sup>6</sup> New Jersey  
195 Resources derives only 63.3% of revenue from gas operations.<sup>7</sup> Keyspan Corp.,  
196 which is not even classified under industry number 4924 in *S&P Utility Compustat*,  
197 derives only 50% of its operating revenue from gas distribution.<sup>8</sup> Yet, Mr. Thone  
198 criticizes my inclusion of Puget Energy and CLECO in my electric sample because  
199 they have gas components. Puget Energy's operating revenue is 81% electric and  
200 18% gas.<sup>9</sup> The operating revenue of CLECO is comprised of 75% electric revenue  
201 and 25% other.<sup>10</sup> Both companies realize a higher percentage of revenue from  
202 electric operations than Cinergy, Consolidated Edison, and Energy East.

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<sup>6</sup> S&P *Utility Compustat*, data from December 31, 2000.

<sup>7</sup> Ibid.

<sup>8</sup> Keyspan Corp., 10K Annual Report to the SEC for the Year Ended December 31, 2000, [www.freedgar.com](http://www.freedgar.com), October 15, 2001.

<sup>9</sup> Puget Energy, Inc., 10K Annual Report to the SEC for the Year Ended December 31, 2000, [www.freedgar.com](http://www.freedgar.com), October 15, 2001.

<sup>10</sup> CLECO Corp., 10K Annual Report to the SEC for the Year Ended December 31, 2000, [www.freedgar.com](http://www.freedgar.com), October 15, 2001.

203 I also removed companies that have pending significant mergers to ensure that  
204 merger premiums did not distort the results of my analysis. Mr. Thone included  
205 PEPco in his electric sample even though it is in the process of purchasing  
206 Connectiv. He also included Energy East Corp. despite its pending acquisition of  
207 RGS Energy Group Inc.

208 **Q. Do the ratios presented by Mr. Thone in his rebuttal testimony accurately**  
209 **reflect the leverage of the companies in his samples and the samples that**  
210 **you presented in your direct testimony?**

211 A. No. The market-based ratios that Mr. Thone presented in Exhibits 27.3 and 27.4  
212 attached to his rebuttal testimony do not reflect the short-term debt of the companies  
213 in the samples. I recalculated those ratios using the same data source that Mr.  
214 Thone employed<sup>11</sup> to include short-term debt. The results are presented on  
215 Schedules 19.3 and 19.4.

216 **Q. Why should short-term debt be included in the capital structure ratios?**

217 A. Short-term debt should be included in the capital structure ratios because financial  
218 theory does not distinguish between short and long term debt as a source of  
219 financial risk. Proposition I of the Modigliani and Miller model, upon which ComEd's  
220 Miller model is based, implies that the choice between long-term debt and short-

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<sup>11</sup> Moneycentral.msn.com, September 28, 2001.

term debt has no effect on firm value.<sup>12</sup> No distinction between types of debt is necessary; hence, both types of debt should be included when calculating capital structure ratios.<sup>13</sup> Standard & Poor's also includes short-term debt when calculating capital structure ratios.<sup>14</sup> Further, gas utilities make extensive use of short-term debt to purchase gas for distribution to customers. As a constant source of capital, exclusion of short-term debt when computing capital structure ratios would result in an inaccurate representation of the leverage used by gas utilities.

**Q. Are Mr. Thone's conclusions regarding the comparability of your samples to ComEd accurate?**

**A.** No. When short-term debt is included in the market-based ratios calculated by Mr. Thone, the results of my analysis put forth in direct testimony are supported. The debt to equity ratios for my samples indicate that my electric sample is more financially levered than ComEd and my gas sample is less financially levered than ComEd. In terms of financial leverage, ComEd is closer to my gas sample than my electric sample. This data supports my final cost of equity recommendation for ComEd, which weighted the gas sample by two-thirds and the electric sample by only one-third. The data also supports my position that a leverage adjustment is not necessary.

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<sup>12</sup> Brealey and Myers, Principles of Corporate Finance, Sixth Edition, p. 491.

239 **Q. How did you arrive at that conclusion?**

240 A. The market value of ComEd's common equity cannot be observed because its  
241 common stock is not market traded. Therefore, I estimated the market value of  
242 ComEd's common equity using the average market to book ratios for the  
243 companies in my samples using the same data source that Mr. Thone relied on in  
244 his rebuttal testimony. The average market to book ratio for my electric sample is  
245 2.17, while that of my gas sample is 1.59. I then compared the debt to market  
246 equity ratios of my samples to the implied debt to market equity ratios for ComEd.  
247 For the electric sample, the debt to market equity ratio equals 1.01. Applying my  
248 electric sample's market to book ratio to ComEd implies a debt to market equity  
249 ratio of 0.71 for ComEd. For my gas sample, the average debt to market equity  
250 ratio equals 0.91. Applying my gas sample's market to book ratio to ComEd results  
251 in a corresponding implied debt to market equity ratio of 0.97 for ComEd.

252 **Q. Using the same data source that Mr. Thone employed for the calculations**  
253 **presented in his rebuttal testimony, how does the book value capital**  
254 **structure that you are proposing for ComEd compare to the book value**  
255 **capital structures of the companies in Mr. Thone's samples?**

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<sup>13</sup> If ComEd had any short-term debt, I would have included it in my recommended capital structure for this proceeding.

<sup>14</sup> Standard & Poor's Global Utilities Rating Service, *Financial Statistics - Twelve Months Ended September 30, 1999*, p. 7.

256 A. Including short-term debt in the calculations results in an average total debt to equity  
257 ratio in terms of book value of 1.81 for Mr. Thone's electric sample and 1.25 for his  
258 gas sample. ComEd's book value total debt to equity ratio is 1.54, based on my  
259 recommended capital structure consisting of 39.36% equity and 60.64% debt. The  
260 average common equity to total capitalization ratio equals 35.98% for his electric  
261 sample and 44.98% for his gas sample. The average total debt to total  
262 capitalization equals 62.62% for Mr. Thone's electric sample and 54.40% for his  
263 gas sample. The data supports Staff's position that Mr. Thone's samples are not  
264 significantly different from ComEd in terms of leverage.

265 **Q. Why do the average book value common equity to total capitalization ratios**  
266 **that you calculated differ from those shown by Mr. Thone?**

267 A. Mr. Thone calculated the book equity to total capitalization ratios in a backward  
268 manner. He started with the debt to market equity ratio and adjusted it by the  
269 market to book ratio to arrive at his estimate of the book equity to total  
270 capitalization. Since book equity balances are known and the total capitalization is  
271 easily computed by adding the balances of the various capital components, this  
272 ratio should be calculated directly for the sample companies using known and  
273 measurable data. That is the procedure that I followed to calculate the book value  
274 common equity to total capitalization ratios.

275 **Q. Do you agree with Mr. Thone's position that weighted averages are more**  
276 **representative of a portfolio?**

277 A. Not necessarily. The appropriate weighting of estimates for a sample depends on  
278 the objective. If the objective is to measure the rate of return for an industry or the  
279 market, then market-weighted estimates should be used since larger companies  
280 have a greater affect on the market or industry as a whole than smaller companies.  
281 However, the objective in using a sample to measure the cost of common equity for  
282 a single company, as is the purpose at hand, is the reduction in measurement error.  
283 There is no necessary relationship between the size of a company and the reduction  
284 of measurement error. The companies comprising a sample should be weighted  
285 differently only if there is reason to believe that some of the companies are closer in  
286 risk to the subject company than others.<sup>15</sup>

287 **Q. Has the Commission rejected market value weighting?**

288 A. Yes. This argument was entertained in Docket No. 99-0122/99-0130 Consol.  
289 MidAmerican Energy Company argued that Staff's DCF results should have been  
290 weighted by market value. The Commission rejected the Company's arguments  
291 and accepted Staff's rate of return recommendation.<sup>16</sup>

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<sup>15</sup> Under this approach, companies would be weighted on the basis of closeness in risk, not size.

<sup>16</sup> Order, Docket No. 99-0122/99-0130 Consol., August 25, 1999, p. 10.

292 **Q. Please comment on Mr. Thone's concerns that applying market returns to**  
293 **book values will under-fund the necessary returns when book values are**  
294 **less than market values.**

295 A. To establish utility rates, regulators generally apply a market-based rate of return to  
296 a book value rate base. If that process provided a return that did not meet investor  
297 requirements, market prices would fall toward book value. Yet, the market prices of  
298 utility stocks, such as all of the utilities that comprise the samples used by Mr. Thone  
299 and myself, continue to exceed book value. Thus, since a market to book  
300 adjustment was not necessary for achieving current market to book values, it cannot  
301 be necessary to support those values. In fact, a market to book adjustment would  
302 only increase the present disparity between market and book. Therefore, ComEd is  
303 not entitled to a return on common equity in excess of the investor-required rate of  
304 return. Utility customers should not pay higher rates simply because utility stock  
305 prices are in excess of book values. The Commission has previously rejected the  
306 false notion that utilities should be authorized rates of return in excess of the  
307 investor-required rate of return whenever their market values exceed book values.<sup>17</sup>  
308 To substantiate his assertion that ComEd should be allowed to earn a greater rate  
309 of return on book value rate base to provide the rate of return investors require on  
310 the market value of common equity, Mr. Thone would have to establish why the  
311 market prices of utility stocks exceed book value and why market prices of utility

312 stocks continue to exceed book value if market-based rate of return rewards are  
313 insufficient to meet investor requirements.

314 **Q. Do you agree with Mr. Thone's statement that you portray *Value Line* data**  
315 **as irrelevant and suggest that investors would not pay attention to it?**

316 A. No. I did not portray Value Line data as irrelevant. My testimony rejected use of the  
317 comparable earnings methodology, as the Commission has consistently done in  
318 past cases.<sup>17</sup> The comparable earnings method measures accounting returns;  
319 nothing exists in that measure that indicates whether that return equals investor  
320 requirements since its denominator, book value, does not readily respond to  
321 dynamic market forces. Thus, if investors accept Value Line's estimates of return on  
322 book equity, but find those estimates exceed their required rate of return, then they  
323 will bid up the stock prices rather than book value of those companies. Conversely,  
324 if investors find Value Line's estimates of return on book equity are less than their  
325 required rates of return, then they will bid down the stock prices rather than book  
326 value of those companies. Further, accounting returns may not be directly  
327 comparable between companies that follow different accounting practices. In its  
328 Order in Docket No. 99-0121, the Commission concluded that the comparable  
329 earnings method does not produce a reliable return for ratemaking purposes.

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<sup>17</sup> Docket No. 99-0121, p. 68; Amended Order, Docket No. 97-0351, p. 42; Order, Docket No. 95-0076, p. 69.

<sup>18</sup> Order, Docket No. 99-0121, August 25, 1999, p. 68; Order on Remand, Docket No. 89-0033, November 3, 1999, p. 5; Order, Docket No. 92-0448/93-0239 Consol., October 11, 1994, p. 173.

330 **Q. What is your response to Mr. Thone's position that it is inappropriate to give**  
331 **more weight to the gas sample?**

332 **A.** Although I recognize that gas utilities may be exposed to commodity risks that  
333 electric distribution companies do not face, the data that I relied on to examine the  
334 relative riskiness of my samples to ComEd indicated that the sample of gas utilities  
335 that I used was closer to ComEd in terms of risk. Individual companies within  
336 industries do not necessarily share the average risk profile of the overall industry.  
337 Since the purpose at hand is to determine the appropriate return on equity for the  
338 delivery service operations of ComEd, the sample that better represents the  
339 quantity of risk that ComEd faces should be given more weight. Although my gas  
340 sample was less risky than ComEd, it was closer in risk to ComEd than my electric  
341 sample, which was higher in risk. Therefore, the relative risk positions of the  
342 specific companies of the electric and gas industries that I utilized to perform my  
343 cost of equity analysis clearly indicate that the gas sample should be given more  
344 weight than the electric sample.

345 **Response to Dr. Peltzman**

346 **Q. What is your response to ComEd witness Sam Peltzman's assertion that**  
347 **changes in debt ratings do not reflect the risk that will affect the cost of**  
348 **equity capital?**

349 A. An S&P Issuer Credit Rating is a current opinion of an obligor's overall financial  
350 capacity (its creditworthiness) to pay its financial obligations. This opinion focuses  
351 on the obligor's capacity and willingness to meet its financial commitments as they  
352 come due.<sup>19</sup> The methodology followed by S&P when assigning utilities ratings  
353 encompasses two basic components: business risk analysis and financial analyses.  
354 When assessing a firm's financial condition, S&P evaluates industry characteristics,  
355 the utility's position within that industry, its regulation, and its management.<sup>20</sup>

356 Mr. Thone used S&P credit ratings as a selection criterion for his sample  
357 companies, which suggests that companies with ratings similar to ComEd are  
358 similar in risk and equity investors would have similar return expectations.  
359 According to ComEd's S&P credit rating and business profile position, an upward  
360 adjustment to the cost of equity is unwarranted.

361 Q. Does this conclude your direct testimony?

362 A. Yes, it does.

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<sup>19</sup> Standard & Poor's, *Utilities Rating Service: Financial Statistics, Twelve Months Ended June 30, 1998*, p. 1.

<sup>20</sup> S&P, *Utilities Rating Service: Industry Commentary*, May 20, 1996, p. 1.

### Company Proposal

Pro-forma December 31, 2000

<u>Component</u>	<u>Balance</u>	<u>Percent of Total Capital</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long-term Debt	\$6,963,798,000 <sup>1</sup>	53.99%	7.14%	3.86%
Common Equity	<u>\$5,933,786,000 <sup>2</sup></u>	<u>46.01%</u>	13.25%	<u>6.10%</u>
Total Capital	\$12,897,584,000	100.00%		
<b>Weighted Average Cost of Capital</b>				<b>9.95%</b>

<sup>1</sup> Pro-forma adjustments through December 31, 2002

<sup>2</sup> Pro-forma adjustments through January 2001

### Staff Proposal

March 31, 2001

<u>Component</u>	<u>Balance</u>	<u>Percent of Total Capital</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long-term Debt	\$7,619,187,696	55.89%	6.82%	3.81%
Common Equity	<u>\$6,014,000,000</u>	<u>44.11%</u>	11.20%	<u>4.94%</u>
Total Capital	\$13,633,187,696	100.00%		
<b>Weighted Average Cost of Capital</b>				<b>8.75%</b>

Docket No. 01-0423  
ICC Staff Exhibit 19.0  
Schedule 19.2

1

Description	Coupon Rate	Date Issued	Maturity Date	Face Amount Outstanding	Unamortized Discount or Premium	Unamortized Debt Expense	Carrying Value	Annualized Coupon Interest	Annualized Amortization of Discount or Premium	Annualized Amortization of Debt Expense	Annualized Debt Expense
<b>First Mortgage Bonds</b>											
Series 85	7.375%	09/15/92	09/15/02	\$200,000,000	(181,593.92)	\$12,231	\$200,169,363	\$14,750,000	(124,356.06)	\$8,376	\$14,634,020
Series 96	6.625%	07/15/93	07/15/03	\$100,000,000	280,643.28	\$18,350	\$99,701,007	\$6,625,000	122,529.66	\$8,012	\$6,755,541
Pollution Control-1994A	5.300%	01/15/94	01/15/04	\$26,000,000	40,240.56	\$29,162	\$25,930,597	\$1,378,000	14,399.81	\$10,435	\$1,402,835
Series 93	7.000%	07/01/93	07/01/05	\$225,000,000	911,537.66	\$52,963	\$224,035,499	\$15,750,000	214,237.76	\$12,448	\$15,976,686
Series 76	8.250%	10/01/91	10/01/06	\$100,000,000	(1,526,846.48)	\$43,959	\$101,482,887	\$8,250,000	(277,263.17)	\$7,983	\$7,980,719
Series 78	8.375%	10/15/91	10/15/06	\$125,000,000	(2,198,910.32)	\$51,569	\$127,147,342	\$10,468,750	(396,542.62)	\$9,300	\$10,081,507
Pollution Control-1996A	4.400%	06/27/96	12/01/06	\$110,000,000	1,464.76	\$1,335,748	\$108,662,787	\$4,840,000	258.15	\$235,417	\$5,075,675
Pollution Control-1996B	4.400%	06/27/96	12/01/06	\$89,400,000	1,190.19	\$1,090,483	\$88,308,326	\$3,933,600	209.76	\$192,190	\$4,126,000
Series 83	8.000%	05/15/92	05/15/08	\$140,000,000	(1,741,318.15)	\$77,890	\$141,663,428	\$11,200,000	(244,266.38)	\$10,926	\$10,966,660
Pollution Control-1994B	5.700%	01/15/94	01/15/09	\$20,000,000	374,205.65	\$39,616	\$19,586,178	\$1,140,000	47,975.08	\$5,079	\$1,193,054
Pollution Control-1991	7.250%	06/01/91	06/01/11	\$100,000,000	(840,151.54)	\$171,728	\$100,668,423	\$7,250,000	(82,567.40)	\$16,877	\$7,184,309
Series 92	7.625%	04/15/93	04/15/13	\$220,000,000	2,027,568.31	\$156,191	\$217,816,240	\$16,775,000	168,272.49	\$12,963	\$16,956,235
Series 94	7.500%	07/01/93	07/01/13	\$150,000,000	2,401,297.86	\$67,621	\$147,531,082	\$11,250,000	195,860.05	\$5,515	\$11,451,375
Pollution Control-1994C	5.850%	01/15/94	01/15/14	\$20,000,000	1,083,596.73	\$48,771	\$18,867,633	\$1,170,000	84,637.88	\$3,809	\$1,258,447
Pollution Control-1994D	6.750%	12/01/94	03/01/15	\$91,000,000	1,475,598.62	\$1,708,912	\$87,815,491	\$6,142,500	105,959.62	\$122,714	\$6,371,173
Series 75	9.875%	06/15/90	06/15/20	\$250,000,000	(14,865,328.31)	\$349,234	\$264,516,094	\$24,687,500	(773,353.03)	\$18,169	\$23,932,315
Series 81	8.625%	02/01/92	02/01/22	\$200,000,000	(323,411.36)	\$302,402	\$200,021,010	\$17,250,000	(15,507.77)	\$14,500	\$17,248,993
Series 84	8.500%	07/15/92	07/15/22	\$200,000,000	759,735.85	\$360,012	\$198,880,252	\$17,000,000	35,661.47	\$16,899	\$17,052,560
Series 86	8.375%	09/15/92	09/15/22	\$200,000,000	2,149,137.11	\$190,094	\$197,660,769	\$16,750,000	100,081.02	\$8,852	\$16,858,933
Series 88	8.375%	02/15/93	02/15/23	\$235,950,000	2,430,097.60	\$196,309	\$233,323,593	\$19,760,813	110,998.08	\$8,967	\$19,880,777
Series 91	8.000%	04/15/93	04/15/23	\$160,000,000	4,871,608.44	\$117,434	\$155,010,957	\$12,800,000	220,886.59	\$5,325	\$13,026,211
Series 97	7.750%	07/15/93	07/15/23	\$150,000,000	7,019,886.89	\$79,888	\$142,900,226	\$11,625,000	314,735.13	\$3,582	\$11,943,317
<b>Total First Mortgage Bonds</b>				<b>\$3,112,350,000</b>	<b>4,150,247.43</b>	<b>\$6,500,567</b>	<b>\$3,101,699,185</b>	<b>\$240,796,163</b>	<b>(177,153.85)</b>	<b>\$738,336</b>	<b>\$241,357,345</b>
<b>Sinking Fund Debentures</b>											
2.875%	2.875%	10/01/50	04/01/01	1,000,000.00	1.16	\$12	\$999,987	\$28,750	421.69	\$4,369	\$33,541
3.125%	3.125%	10/01/54	10/01/04	4,925,000.00	50,118.07	\$12,677	\$4,862,205	\$153,906	14,291.48	\$3,615	\$171,813
3.875%	3.875%	01/01/58	01/01/08	8,000,000.00	224,365.83	\$22,394	\$7,753,240	\$310,000	33,195.59	\$3,313	\$346,509
4.625%	4.625%	01/01/59	01/01/09	3,568,000.00	103,736.38	\$13,094	\$3,451,169	\$165,020	13,365.26	\$1,687	\$180,072
4.750%	4.750%	12/01/61	12/01/11	9,181,000.00	(460,232.24)	\$30,535	\$9,610,697	\$436,098	0.00	\$2,860	\$438,957
Publishing Fee's Annual Notice										\$28,942	\$28,942
Publishing Fee's Annual Notice										\$14,470	\$14,470
<b>Total Sinking Fund Debentures</b>				<b>\$26,674,000</b>	<b>(82,010.81)</b>	<b>\$78,713</b>	<b>\$26,677,297</b>	<b>\$1,093,774</b>	<b>61,274.03</b>	<b>\$59,256</b>	<b>\$1,214,304</b>
<b>Sub. Deferrable Interest Notes</b>											
Sub. Deferrable Interest Notes	8.480%	09/26/95	09/30/35	\$206,190,000		\$5,920,163	\$200,269,837	\$17,484,912		\$171,483	\$17,656,395
Sub. Def. Interest Debentures	8.500%	01/24/97	01/15/27	\$154,640,000		\$1,678,019	\$152,961,981	\$13,144,400		\$65,012	\$13,209,412
<b>Total Sub. Def. Interest Notes</b>				<b>\$360,830,000</b>		<b>\$7,598,182</b>	<b>\$353,231,818</b>	<b>\$30,629,312</b>		<b>\$236,495</b>	<b>\$30,865,807</b>

Docket No. 01-0423  
ICC Staff Exhibit 19.0  
Schedule 19.2  
2

Description	Coupon Rate	Date Issued	Maturity Date	Face Amount Outstanding	Unamortized Discount or Premium	Unamortized Debt Expense	Carrying Value	Annualized Coupon Interest	Annualized Amortization of Discount or Premium	Annualized Amortization of Debt Expense	Annualized Debt Expense
<b>Transitional Funding Notes</b>											
Class A-2 Int. Trans. Prop. Notes	5.290%	12/16/98	06/25/01	\$143,748,642		\$68,206	\$143,680,436	\$7,604,303		\$289,478	\$7,893,781
Class A-3 Int. Trans. Prop. Notes	5.340%	12/16/98	03/25/02	\$258,860,915		\$133,790	\$258,727,125	\$13,823,173		\$136,026	\$13,959,199
Class A-4 Int. Trans. Prop. Notes	5.390%	12/16/98	06/25/03	\$421,139,085		\$357,880	\$420,781,205	\$22,699,397		\$160,081	\$22,859,478
Class A-5 Int. Trans. Prop. Notes	5.440%	12/16/98	03/25/05	\$598,510,714		\$653,945	\$597,856,769	\$32,558,983		\$164,048	\$32,723,031
Class A-6 Int. Trans. Prop. Notes	5.630%	12/16/98	06/25/07	\$761,489,286		\$958,251	\$760,531,035	\$42,871,847		\$153,606	\$43,025,453
Class A-7 Int. Trans. Prop. Notes	5.740%	12/16/98	12/25/08	\$510,000,000		\$677,105	\$509,322,895	\$29,274,000		\$87,453	\$29,361,453
Total Transitional Funding Notes				<u>\$2,693,748,642</u>		<u>\$2,849,178</u>	<u>\$2,690,899,464</u>	<u>\$148,831,702</u>		<u>\$990,694</u>	<u>\$149,822,396</u>
<b>Pollution Control Obligations</b>											
IL Ind. Poll. Control Fin. Auth.	5.875%	05/15/77	05/15/07	\$45,500,000	189,475.54	\$65,848.64	\$45,244,676	\$2,673,125	30,929.59	\$10,749	\$2,714,804
IL Dev. Fin. Auth. Series 1994B	variable	12/14/94	03/01/09	\$42,200,000	499.73	\$174,707.78	\$42,024,792	\$957,307	27.00	\$22,050	\$979,384
IL Dev. Fin. Auth. Series 1994C	variable	10/05/94	10/15/14	\$50,000,000	363.77	\$145,624.71	\$49,854,012	\$1,134,250	63.00	\$10,747	\$1,145,060
Total Pollution Control Obligations				<u>\$137,700,000</u>	<u>190,339.04</u>	<u>\$386,181</u>	<u>\$137,123,480</u>	<u>\$4,764,682</u>	<u>31,019.51</u>	<u>\$43,546</u>	<u>\$4,839,247</u>
<b>Purchase Contract Obligations</b>											
Village of Hinsdale	3.000%	04/30/55	04/30/05	\$254,174			\$254,174	\$7,625			\$7,625
Total Purchase Contract Obls.				<u>\$254,174</u>			<u>\$254,174</u>	<u>\$7,625</u>			<u>\$7,625</u>
<b>Medium Term Notes</b>											
3N- 3037	9.170%	10/20/89	10/15/02	\$25,000,000	(110,251.85)	\$7,068	\$25,103,184	\$2,292,500	(71,477.67)	\$4,582	\$2,225,605
3N- 3038	9.170%	10/20/89	10/15/02	\$2,000,000	(8,820.21)	\$565	\$2,008,255	\$183,400	(5,718.26)	\$367	\$178,048
3N- 3039	9.170%	10/20/89	10/15/02	\$25,000,000	(110,251.85)	\$7,068	\$25,103,184	\$2,292,500	(71,477.67)	\$4,582	\$2,225,605
3N- 3040	9.170%	10/20/89	10/15/02	\$23,000,000	(101,431.76)	\$6,502	\$23,094,929	\$2,109,100	(65,759.48)	\$4,216	\$2,047,556
3N- 3041	9.170%	10/20/89	10/15/02	\$25,000,000	(110,251.85)	\$7,068	\$25,103,184	\$2,292,500	(71,477.67)	\$4,582	\$2,225,605
3N- 3032	9.200%	10/18/89	10/15/04	\$14,000,000	(207,888.09)	\$7,880	\$14,200,009	\$1,288,000	(58,639.22)	\$2,223	\$1,231,583
3N- 3033	9.200%	10/18/89	10/15/04	\$14,000,000	(207,888.09)	\$7,880	\$14,200,009	\$1,288,000	(58,639.22)	\$2,223	\$1,231,583
3N- 3034	9.200%	10/18/89	10/15/04	\$10,000,000	(148,490.75)	\$5,628	\$10,142,863	\$920,000	(41,884.95)	\$1,588	\$879,703
3N- 3035	9.200%	10/18/89	10/15/04	\$14,000,000	(20,788.60)	\$7,879	\$14,012,909	\$1,288,000	(5,863.86)	\$2,223	\$1,284,359
3N- 3036	9.200%	10/18/89	10/15/04	\$4,000,000	(60,104.60)	\$2,251	\$4,057,854	\$368,000	(16,953.77)	\$635	\$351,681
Senior Note	Variable	09/14/00	09/30/02	\$200,000,000	(363,607.55)		\$200,363,608	\$8,420,000	(242,183.86)		\$8,177,816
Senior Note	Variable	09/14/00	09/30/03	\$250,000,000	(900,356.06)		\$250,900,356	\$10,837,500	(359,945.19)		\$10,477,555
Total Medium Term Notes				<u>\$606,000,000</u>	<u>(2,350,131.27)</u>	<u>\$59,789</u>	<u>\$608,290,342</u>	<u>\$33,579,500</u>	<u>(1,070,020.82)</u>	<u>\$27,219</u>	<u>\$32,536,698</u>
<b>Notes</b>											
Notes	6.400%	10/15/93	10/15/05	\$235,000,000	3,903,483.92	\$229,423	\$230,867,093	\$15,040,000	858,813.52	\$50,476	\$15,949,289
Notes	7.375%	01/09/97	01/15/04	\$150,000,000	(95,026.02)	\$65,763	\$150,029,263	\$11,062,500	(34,004.41)	\$23,533	\$11,052,029
Notes	7.625%	01/09/97	01/15/07	\$150,000,000	(277,171.13)	\$94,394	\$150,182,777	\$11,437,500	(47,810.71)	\$16,283	\$11,405,972
Notes	6.950%	07/16/98	07/15/18	\$225,000,000	20,826,118.87	\$41,374	\$204,132,507	\$15,637,500	1,203,726.57	\$2,391	\$16,843,618
Total Notes				<u>\$760,000,000</u>	<u>24,357,405.45</u>	<u>\$430,955</u>	<u>\$735,211,640</u>	<u>\$53,177,500</u>	<u>1,980,724.98</u>	<u>\$92,683</u>	<u>\$55,250,908</u>
<b>TOTAL</b>				<b>\$7,697,556,816</b>	<b>26,265,849.83</b>	<b>\$17,903,566</b>	<b>\$7,653,387,400</b>	<b>\$512,880,258</b>	<b>825,843.84</b>	<b>\$2,188,229</b>	<b>\$515,894,331</b>

Reacquired Debt		Date Reacquired	Amortization Period Ends	Unamortized Loss or Gain on Reacquired Debt	Carrying Value	Annualized Amortization of Loss or Gain on Reacquired Debt	Annualized Debt Expense
<b>First Mortgage Bonds</b>							
Series 46	14.250%	11/24/87	02/15/23	507,677.67	-\$507,678	23,151.22	\$23,151
Series 47	15.375%	11/24/87	02/15/23	1,473,988.15	-\$1,473,988	67,217.10	\$67,217
Series 48	13.000%	03/22/88	04/15/13	3,107,137.04	-\$3,107,137	256,991.85	\$256,992
Series 44	17.500%	05/24/88	02/15/23	136,524.54	-\$136,525	6,225.82	\$6,226
Series 50	12.250%	11/22/88	02/15/23	249,745.24	-\$249,745	11,388.93	\$11,389
Series 51	13.375%	11/21/88	02/15/23	629,097.98	-\$629,098	28,688.25	\$28,688
Series 49	12.125%	12/04/89	10/15/04	832,302.67	-\$832,303	433,592.93	\$433,593
Series 55	11.750%	12/10/91	10/15/21	1,671,528.86	-\$1,671,529	190,733.34	\$190,733
Series 40	11.125%	06/15/92	05/15/08	689,406.14	-\$689,406	96,116.59	\$96,117
Series 66	12.000%	03/23/93	02/15/23	2,579,620.47	-\$2,579,620	117,636.37	\$117,636
Series 71	11.125%	05/01/93	02/15/23	3,065,107.51	-\$3,065,108	139,775.64	\$139,776
Series 33	9.375%	05/27/93	04/15/00	0.00	\$0	0.00	\$0
Series 56	10.500%	05/27/93	04/15/23	3,063,575.50	-\$3,063,575	138,649.11	\$138,649
Series 68	9.375%	05/27/93	04/15/00	0.00	\$0	0.00	\$0
Series 67	10.250%	06/07/93	04/15/13	3,731,186.68	-\$3,731,187	308,607.10	\$308,607
Series 30	8.750%	08/12/93	07/01/13	769,510.98	-\$769,511	132,584.29	\$132,584
Series 38	9.125%	08/12/93	07/01/13	2,128,772.90	-\$2,128,773	366,780.77	\$366,781
Series 23	8.000%	08/23/93	07/15/00	0.00	\$0	0.00	\$0
Series 60	9.625%	09/01/93	07/15/23	2,908,244.62	-\$2,908,245	130,134.77	\$130,135
Pollution Control 1985	10.375%	12/14/94	03/01/09	324,234.51	-\$324,235	40,501.57	\$40,502
Pollution Control 1985	10.625%	12/14/94	03/01/15	1,633,492.26	-\$1,633,492	133,122.57	\$133,123
Pollution Control 1974A	6.625%	06/27/96	12/01/06	71,244.04	-\$71,244	12,562.36	\$12,562
Series 57	9.500%	03/11/97	01/15/07	1,919,606.10	-\$1,919,606	510,930.66	\$510,931
				<u>31,492,003.87</u>	<u>-\$31,492,004</u>	<u>3,145,391.23</u>	<u>\$3,145,391</u>
<b>Sinking Fund Debentures</b>							
Series 7	15.375%	03/16/88	04/15/00	0.00	\$0	0.00	\$0
Series 4	10.000%	04/01/92	02/01/22	570,673.18	-\$570,673	27,367.72	\$27,368
				<u>570,673.18</u>	<u>-\$570,673</u>	<u>27,367.72</u>	<u>\$27,368</u>

Reacquired Debt		Date Reacquired	Amortization Period Ends	Unamortized Loss or Gain on Reacquired Debt	Carrying Value	Annualized Amortization of Loss or Gain on Reacquired Debt	Annualized Debt Expense
<b>Pollution Control Obligations</b>							
Joliet Series 1981	11.750%	08/01/91	06/01/11	262,928.60	-\$262,929	25,853.70	\$25,854
Pekin Series	11.750%	08/01/91	06/01/11	267,140.30	-\$267,140	26,267.84	\$26,268
Waukegan Series 1981	11.500%	08/01/91	06/01/11	84,704.62	-\$84,705	8,328.98	\$8,329
IEFFA Series 1980	10.125%	09/03/91	06/01/11	104,484.76	-\$104,485	10,273.96	\$10,274
IEFFA Series 1980	10.375%	09/03/91	06/01/11	197,901.24	-\$197,901	19,459.58	\$19,460
IEFFA Series 1979	8.375%	03/11/94	01/15/14	35,330.61	-\$35,331	7,188.01	\$7,188
IEFFA Series 1979	8.500%	03/11/94	01/15/14	145,817.00	-\$145,817	29,666.39	\$29,666
IEFFA Series 1983	9.750%	04/01/94	01/15/14	130,173.76	-\$130,174	26,483.77	\$26,484
IEFFA Series 1984	11.375%	11/21/94	10/15/14	413,506.14	-\$413,506	30,417.12	\$30,417
Pekin Series 1979	6.750%	06/27/96	12/01/06	22,741.72	-\$22,742	4,010.01	\$4,010
Waukegan Series 1979	6.750%	06/27/96	12/01/06	17,855.65	-\$17,856	3,148.46	\$3,148
Pekin Series B	6.750%	06/27/96	12/01/06	69,607.80	-\$69,608	12,273.84	\$12,274
Pekin & Joliet Series 1976	6.800%	06/27/96	12/01/06	121,300.72	-\$121,301	21,388.77	\$21,389
Waukegan Series B	6.875%	06/27/96	12/01/06	41,438.27	-\$41,438	7,306.75	\$7,307
Joliet Series B	6.875%	06/27/96	12/01/06	170,994.69	-\$170,995	30,151.24	\$30,151
Pekin Series 1979	6.875%	06/27/96	12/01/06	27,656.66	-\$27,657	4,876.66	\$4,877
Joliet Series 1979	6.875%	06/27/96	12/01/06	23,444.80	-\$23,445	4,133.99	\$4,134
				<u>2,137,027.32</u>	<u>-\$2,137,027</u>	<u>271,229.06</u>	<u>\$271,229</u>
				<u>34,199,704.37</u>	<u>-\$34,199,704</u>	<u>3,443,988.01</u>	<u>\$3,443,988</u>
				<u>\$7,697,556.816</u>	<u>60,465,554.20</u>	<u>\$17,903,566</u>	<u>\$7,619,187,696</u>
						<u>\$512,880,258</u>	<u>4,269,831.85</u>
							<u>\$2,188,229</u>
							<u>\$519,338,319</u>

Embedded Cost of Long-Term Debt

6.82%

**Commonwealth Edison Company**

Market-Based Ratios for Staff's Samples

<b>Electric Utility</b>	<u>Market/ Book ratio</u>	<u>Debt/ Equity</u>	<u>(D+P)/E</u>
AEP	1.866	1.032	1.032
CLECO	2.094	0.819	0.835
DPL	4.123	0.585	0.593
DQE	1.952	1.194	1.208
KCPL	1.754	1.123	1.148
Nstar	1.919	1.139	1.157
Puget	1.475	1.172	1.365
Weighted Average	1.964	1.003	1.024
Simple Average	2.169	1.009	1.048

<b>Gas Utility</b>			
AGL	1.732	0.982	1.170
Atmos	1.435	0.976	0.976
Cascade	1.807	0.718	0.718
NUI	1.055	1.593	1.593
Northwest Gas	1.360	0.725	0.779
Peoples	1.695	0.870	0.870
Piedmont	1.892	0.476	0.476
So. Jersey Ind.	1.701	0.954	1.052
Weighted Average	1.604	0.857	0.904
Simple Average	1.585	0.912	0.954

**Commonwealth Edison Company**

**Market-Based Ratios for ComEd's Samples**

<b>Electric Utility</b>	<b>Market/ Book ratio</b>	<b>Debt/ Equity</b>	<b>(D+P)/E</b>
Cinergy	1.808	0.956	0.956
ConEd	1.622	0.723	0.750
DPL	4.123	0.585	0.593
DQE	1.952	1.194	1.208
Energy East	1.396	1.186	1.186
Idacorp	1.734	0.744	0.815
Kansas City Power & Light	1.754	1.123	1.148
Nstar	1.919	1.139	1.157
PEPco	1.296	0.987	1.022
UIL Holdings	1.415	0.951	0.951
Weighted Average	1.752	0.889	0.908
Simple Average	1.902	0.959	0.978
<b>Gas Utility</b>			
Atmos Energy	1.435	0.976	0.976
Cascade Natural Gas	1.807	0.718	0.718
Keyspan Corp.	1.523	1.242	1.261
New Jersey Resources	2.161	0.498	0.499
Nicor, Inc.	2.456	0.393	0.397
Northwest Natural Gas	1.360	0.725	0.779
Peoples Energy Corp.	1.695	0.870	0.870
Piedmont Natural Gas	1.892	0.476	0.476
Weighted Average	1.699	0.877	0.888
Simple Average	1.791	0.737	0.747